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The Challenge of Soviet Power

The subject of my contribution to your 27th Annual Convention is, The Challenge of Soviet Power. This topic is a particularly appropriate one for the Edison Electric Institute. It was Lenin who defined Communism as the Soviet system plus electrification. The first Soviet economic plan, dating back to the early 1920's, had as its principal objective, the development of a modern electric power system.

Today, electric power is indispensable to military power. It operates the radars which are on watch against sneak attack. It makes possible the rapid transmission of timely warning to safeguard our nation. Without a large electric power industry, mass production of nuclear weapons would be impossible.

In our own intelligence business, electric power is no less vital. Intelligence depends upon the timely interpretation of hundreds of thousands of bits and pieces of information that flow into Washington every day. From the initial collection of information to its final analysis and dissemination, electronic machinery is a valued partner.

Electronics are a powerful cold war weapon of the USSR and its allies in the Communist empire.

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No country, not even Hitler's Germany, has used radio in a massive effort to promote subversive policy as does the Soviet Union. Literally millions of words, arguing the case for communism, are beamed to the Free World every day. Wisely, I believe, the Free World takes no steps to jam Communist radio propaganda. At the same time, the Soviet Bloc spends vast sums to jam the broadcasts which this government and other free governments beam to the Communist world. They have tried to build an electronic iron curtain around the minds of their own people.

It is no accident that the electronics production is one of the fastest growing industries in the Soviet Union. USSR output increased eight times between 1950 and 1958, to reach a level roughly half that of the electronics industry of the United States. Last year their production of military electronics reached 80 per cent of our own. In contrast, Soviet consumers received only about 25 per cent of the TV's and other electronics which went to American civilians.

A few months ago your Institute, as representatives of the electric power industry of the United States, sent a delegation to the Soviet Union. Some of your members had an opportunity to observe firsthand Soviet progress in the field of electric power.

Today I should like to share with you some of my thoughts on the Soviet challenge in all its aspects -- military, economic, and subversive.

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Communism is somewhat like electricity, an all-persuasive and revolutionary force.

Its leaders are dedicated to achieving a victory that will be evidenced by the liquidation of capitalism and the emergence of a Sovietized world order. The most straightforward way to accomplish this objective would be by direct military action. However, large scale military attack on the West seems to be ruled out as a calculated Soviet policy, at least while the nuclear forces of the East and West remain in reasonable balance.

However, the Soviet leaders are not satisfied with the current balance of military power in the world. They are making strenuous efforts to achieve a position of superiority. A large share of their scientific and technical capabilities are devoted to research on advanced weapons systems.

The Soviet Union concentrated on ballistic missiles early, exploiting the many German assets at the close of World War II. They had a native program underway by 1948 which was given a high priority. By February of 1959, Marshall Malinovsky, the Soviet Minister of Defense, could say,

"The armed forces (have been equipped) with a whole series of military ballistic rockets of inter-continental, continental, long, medium, and short range."

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At the same time they are building formidable long-range striking capabilities and adding to air defense, the Soviet Union maintains an army of two and one half million men. The tradition of universal military training is being continued. Modernization has not been neglected. The Soviet Army today is fully equipped with a postwar generation of tanks and artillery. Their policy is one of maintaining massive conventional forces while adding advanced weapons systems.

The Soviet submarine strength today is many times the strength with which Germany entered World War II. This force poses a grave threat to Allied task forces and sea lines of communication. We believe that for years the Soviet sub-crews have familiarized themselves with world waterways by serving in Bloc merchant ships and fishing fleets. The size of the submarine fleet now seems well established; the future trend will be toward nuclear-propelled and missile-launching types.

All this costs the Soviets a great deal of money. Despite the Kremlin leaders claim to be pursuing a policy of "peaceful co-existence," military outlays enjoy a first priority in their planning. The USSR's military effort, as a proportion of gross national product, is greater than that of any other nation in the world. Stated another way, this means that the diversion of economic resources to military support is without any parallel in the peacetime history of the West.

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The Soviets hide much of their military expenditures behind a veil of secrecy. What they announce as "defense expenditures," a one line entry in the annual budget, cannot cover more than about 60 per cent of their total effort. The remainder is buried in budgetary accounts with innocuous titles. For example, most military research and development is paid for out of an account labelled, "Social and Cultural Expenditures."

As Soviet military capabilities have grown, their foreign policy has become more assertive. In 1956 during the Suez crisis, missile jettling was first unveiled as a new tactic of Soviet diplomacy. The lines of conflict with the West have been more sharply drawn in the past year. The Communists have deliberately been agitating two of the most dangerous and potentially explosive areas of the world -- The Taiwan Straits and Berlin.

I do not interpret this increased belligerence to mean that the Soviet Union is planning to provoke the United States into a war. They have great respect for our capability to devastate the USSR. They will continue to probe and to test, and where feasible will support other countries in aggression by proxy.

I would like to turn now to the highlights of the economic aspects of the Soviet challenge. The new confidence of Khrushchev, the very vocal Soviet leader, rests on his conviction that the final victory of communism will be achieved mainly by non-military

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means. The proceedings of the recent 21st Party Congress laid out this objective without equivocation. I think of it as the Soviet economic order of battle.

Khrushchev in six hours and ten minutes of opening remarks and three and a half hours of closing remarks, said in effect,

"The main task is the further development of the economic might of the Soviet Union on the basis of the priority growth of heavy industry which will insure the victory of the Soviet Union in peaceful economic competition with the capitalist countries our success in the fulfillment of the plan will attract millions of new adherents and give communism a decisive edge in the international balance of power"

How serious is the challenge of Soviet economic growth?

Before looking into the future, let's take a minute to review the past. As has been aptly said, the past is the prologue of the future.

In the short space of 30 years, the Soviet Union has grown from a relatively backward nation into the second largest economy in the world. It is true that their headlong pace of industrialization has slowed down moderately in the past few years. I find no comfort in this. It is not important that the Soviet rate of

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development has moderated. What is important is that it continues to be far more rapid than our own.

Let's look at some recent history. During the past seven years, Soviet industry has grown at an annual rate of $9\frac{1}{2}$ per cent. This is not the official rate the Soviets have announced. It is a reconstruction of Soviet data, deflated for known differences with our own Federal Reserve Board index.

We can compare the Soviet performance with that of US industry in the 1950-57 period. I have dropped back one year in our case to avoid dispute about the inclusion of 1958 as non-representative. Even giving the US the benefit of this adjustment, our recent annual industrial growth rate has been 3.6 per cent. This means that Soviet industry has been growing roughly two and a half times as rapidly as industry in the United States.

I do not conclude from this analysis that the secret of Soviet success lies in greater efficiency. On the contrary. In comparison with the leading free enterprise economies of the West, the Communist system is relatively inefficient.

The secret of Soviet success is simple. It lies in the fact that the Kremlin leaders direct a far higher proportion of total resources to national policy purposes than does the United States. I define national policy purposes to include, among other things, defense and investment in industry.

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Nowhere are the contrasts in national objectives clearer than in the investment field. First of all, Soviet national product is only some 40 to 45 per cent of US national product. However, the dollar value of Soviet investment is already about three quarters of that of the US.

Secondly, Soviet investment in industry is now running some *about the same as in our best year, 1957.*
~~10 to 20 per cent higher than such outlays in our own country.~~

In comparison, our capital expenditures for transportation and communications are more than double the comparable Soviet expenditures. This reflects, in large part, our massive highway building program. US investment spending for highways has been running 15 to 20 times comparable Soviet spending.

Commercial investment, which includes stores, shopping centers, and drive-in-movies, has been absorbing over six billion dollars a year in the US, compared to less than two billion in the USSR.

Our housing investment has been running nearly twice that of the Soviets, even though living space per capita in the United States is already over four times that in the USSR.

Further, although the Soviet economy has increased its output of consumer goods in recent years, production of consumer durables is far below that of the US. For example, in 1958 the USSR manufactured only one-tenth the number of home refrigerators and freezers as the US and only one-seventh the

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number of home washing machines. Furthermore, most of the US output is for replacement, while that of the USSR is for first time users.

In 1958, a bad year for the US auto industry, we still produced about 35 times the number of passenger cars as the USSR. Khrushchev says the Soviet people are on the road from socialism to communism; it is clear that when the Russians arrive in utopia, they will not be driving their own cars.

In summary, these contrasts explain the principal reasons for Soviet successes. Their economy is geared to economic growth; ours is geared to increasing consumer satisfactions and the standard of living.

What of the future? In Khrushchev's words, "The Soviet Union intends to outstrip the United States economically ... to surpass the level of production in the United States means to exceed the highest indexes of capitalism."

Khrushchev's ambitious seven year plan establishes the formidable task of increasing industrial production about 80 per cent by 1965.

Steel production is to be pushed close to 100 million net tons. Cement output is set at a level somewhat higher than industry forecasts place United States production in 1965.

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The energy base is to be revolutionized. Crude oil and natural gas will constitute more than one half of the total energy supply, and relatively high cost coal will be far less important than now.

By 1965, the USSR plans to produce about 480 billion kilowatt hours of electricity. As your own comparative study pointed out, this means that the absolute gap between US and USSR power production will increase somewhat over the next seven years.

Your interesting study received a considerable amount of deserved publicity. Unfortunately, some commentators concluded from your findings that the absolute gap between US and USSR production would continue to increase across the board.

A comparison of primary energy production in the two countries shows that this is not so. Soviet production of coal, petroleum, natural gas and hydroelectric power, expressed in standard fuel units, amounted to 45 per cent of the US in 1958. By 1965 it will be close to 60 per cent. The absolute gap has been closing since 1950. It will continue to narrow over the next seven years.

Similarly, the absolute gap in steel production has been closing over the past five years. The maximum gap in steel capacity apparently was reached in 1958.

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It is clear that the comforting illusion spread the "disciples of the absolute gap" has been shattered. History has overtaken those well-meaning people who shrugged off the Soviet rate of growth as "no problem" because absolute increases in output were running higher in the US than in the USSR.

At the same time, it is important not to exaggerate Soviet prospects in the economic race. In the propaganda surrounding the launching of the Seven Year Plan, Khrushchev made a number of statements about Soviet economic power which were wishful thinking. Specifically he stated that, "after the completion of the Seven Year Plan, we will probably need about five more years to catch up with and outstrip the United States in industrial output. Thus, by that time (1970), or perhaps even sooner, the Soviet Union will advance to first place in the world both in absolute volume of production and in per capita production."

First of all, to reach such improbable conclusions, the Kremlin leaders overstate their present comparative position. They claim USSR industrial output to be 50 per cent of that of the US. However, their own data on electric power input into industry in 1958 were 40 per cent, not 50 per cent, of comparable power input into US industry. I know of no magic in the Communist system which would permit the value of output to be disproportionately high in relation to inputs. Further, all of our own analyses

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substantially
of Soviet industrial output last year was about 40 per cent of our own.

Secondly, Khrushchev forecasts that our future industrial growth will be only two per cent a year. If this is true, the United States will be virtually committing economic suicide. By 1965, we would have a burden of unemployment worse than that in the 1930's. This prediction I regard as untenable.

A more realistic projection would place 1965 Soviet industrial production at about 55 per cent of our own. By 1970, assuming the same relative rates of growth, USSR industrial output, as a whole, would be about 60 per cent of that in the United States.

Further, when Khrushchev promises his people the world's highest standard of living by 1970, this is patently nonsense. It is as though the shrimp had learned to whistle, to use one of his colorful comments.

These Soviet exaggerations are a standard tool of Communist propaganda. The propaganda should not blind us, however, to the sobering implications of their expected economic progress.

First of all, rapid economic growth will provide the Kreslin leaders with additional resources to intensify the arms race. If recent trends continue, I would not be surprised to see Soviet military spending increase by over 50 per cent in the next seven years. The further strengthening of great military power,

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Khrushchev apparently believes, will deter the West from countering Soviet Bloc adventurism.

Secondly, additional improvement can be made in the standards of living of the Russian people. It is only since the death of Stalin that serious attention has been given to improving the standards of living of the Russian people. The moderate slow-down in the headlong growth of heavy industry has been caused, in large part, by the diversion of resources to housing, to agriculture, and to consumer goods.

Living standards, based on present Soviet plans, are expected to increase about ^{one third} 50 per cent over the next seven years. This level, if achieved, will still be far below that our own citizens are enjoying. However, it will look very good to the peoples of underdeveloped countries, and most importantly, represent a goal such countries could hope to achieve by following the Communist pattern of development.

Finally, achievement of the goals of the Soviet Seven Year Plan will provide the where-with-all to push the expansion of Communism in the uncommitted nations. By 1965, Soviet output of many basic raw materials and industrial products will be approaching, and in a few cases exceeding, that of the United States. Most prominently, these products will be the kind that are needed for industrialization in the less developed countries.

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The outcome of this contest, the Communist challenge in underdeveloped areas, is crucial to the survival of the Free World.

The world is in an unprecedented epoch of change. Within little more than ten years, over three quarters of a ^{billion} ~~million~~ people, in twenty one nations, have become independent of colonial rule. In all of these newly emergent countries, there is intense nationalism coupled with the determination to achieve a better way of life.

The leaders of world communism are alert to the opportunity which this great transformation provides them. They realize the future of communism can be insured only by expansion, and that the best hope of such expansion lies in Asia and Africa.

International communism has marshalled its political, economic and subversive weapons in vigorous action programs. Communism is grimly determined to win this contest.

On the economic penetration front, the Communist program moved into high gear during 1958. The equivalent of over one billion dollars in new credits were extended to underdeveloped countries by the USSR, its European Satellites, and Communist China.

Over 4,000 Bloc technicians have been sent to assist the development of Free World nations. About 70 per cent of these

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technicians are engaged in economic activities. Others are reorganizing local military establishments and teaching Bloc military doctrine to indigenous personnel.

The Bloc also has a well developed program for training students from underdeveloped countries behind the iron curtain. About 3,200 students, technicians, and military specialists have now received such training.

The USSR, with its greater prestige, negotiates agreements and provides major credits. Actual implementation is frequently assigned to the European satellites. This technique enables the Soviet Union to exert maximum control over the Bloc penetration program. It also brings the combined economic strength of the satellites and the USSR to bear in each target country.

This massive economic and military aid program is concentrated in only a few countries. India, which has received over \$325 million of Bloc grants and credits, is a primary recipient. The economic showpiece is the Bhilai steel mill, being built by the Russians.

It is true that the Soviet technicians helping to build the steel plant have not, with few exceptions, engaged in subversive activity. However, the cooperative presence of Soviet personnel, the highly visible symbols of assistance and the barrage

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of Soviet radio propaganda combine to create a climate in which subversion can grow.

For example, take the Indo-Soviet Cultural Society, which appears to be a typical Communist front organization. Organized only a few years ago, it now claims 60 branches. Seven of these are located in Madhya Pradesh State, where the Russian steel mill is located, including one in Bhilai itself.

What do these front organizations do? They show films which are pro-communist, or which depict alleged atrocities committed by American soldiers.

Through libraries and journals, they spread slanted propaganda. For example, in many Indian cities today you can see a large window chart titled, "Industrial Growth, USSR and USA." It should be in every handbook as an example of how to compare statistics for any occasion.

This chart begins and ends with the two worst periods for the United States -- 1948 and the first quarter of 1958. Using 1948 as a base of 100 per cent for both countries, the statistical trickery attempts to create the impression that:

By 1950, Soviet production was one and a half times greater than that of the US,

By 1957, Soviet output was five times larger than that of the US, and that

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The first quarter decline in US production wiped out US increases in recent years.

The artist added his socialist realism to the work of the statistical manipulation. The USSR line is backed by a massive oil cracking plant with Kremlin-like baroque clock towers. The US is represented by a pot-bellied, dark spectacled Uncle Sam, standing on the US production line and bending far backwards in order to view the exhausted level of Soviet production. To cap it all, Uncle Sam's leg is conveniently placed to hide our best years of growth.

To a sophisticated audience, this crude manipulation would be laughed away. But it is aimed at a semi-literate group of Indian workers, and to this audience, it is effective. The huge Indian state of Kerala is now governed by Communists. Although still small, the Communist party is growing.

Turning to the Middle East, Iraq provides a prime example of the opportunistic nature of the Bloc's aid program.

Prior to the coup d'etat on July 14th last year, Iraq's economic involvement with Communist nations had been negligible. In the past nine months, the USSR has provided over \$250 million of military and economic development credits. The Iraqi Development Board has dropped its two Western advisors. Western

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technicians were also dismissed and several contracts with Western firms cancelled. Increasingly, General Quasin's regime is dependent on domestic communist support to maintain itself; the number of Communists in high government posts is growing.

As in Iraq, the Communists adopt programs which sound appealing to many people in underdeveloped nations. They are always the proponents of peace, co-existence, anti-colonialism, anti-imperialism, and positive nationalism. A Moscow trained Communist may, for months and even years, identify himself completely with national ambitions. His true colors as an agent of International Communism do not show until the fateful day of takeover.

In addition to the people of the International Communist movement, the propaganda barrage is heavy. Millions of cheap books in local languages are published and circulated. Text books are provided for school children. Comic strips are used extensively to get across the Communist message to the less educated people. The Soviets and the Communist Chinese do more propaganda radio broadcasting than all of the rest of the countries of the world put together. They distribute several hundred magazines and newspapers, published in 80 different languages, all of which appear to be originated locally but which carry the message of the Kremlin.

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My purpose today has been to outline for you the dimensions of the Soviet challenge.

In Western Europe, the danger has been faced and contained. The extensive Communist penetration of Greece and the threat to Turkey were thrown back by the Greek-Turkish assistance program. The Marshall Plan and NATO and the vigorous programs for West European unity have substantially reduced Communist power in the last several years. The Communist Party still has powerful influence in the labor movements of France and Italy but even in these countries the advance of communism has been decisively checked.

In many other areas of the world there is not yet an adequate understanding of the subversive peril of Communism. We must realize that the choice between communism and freedom is not always as simple and easy a decision for great masses of people as it might seem to us.

In too many nations of Asia and Africa, per capita incomes average less than \$100 a year. Life expectancies are half those of the advanced nations of the West. Illiteracy is the rule, not the exception. To these people, determined to establish quickly a decent standard of living, the Soviet story of rapid economic growth is a magnet.

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The Free World has the resources to meet, contain and overcome the challenge of Soviet power. As the strongest nation in the Free World, the United States must be the leader. The real danger, as I see it, is the possibility of our complacent satisfaction, our preoccupation with raising the already high standards of living of the world's most affluent society. The tragedy of our time would be to fail to recognize the realities of the Soviet challenge, to fail to react to it with the vigor and force its gravity requires.